

Circular

Istanbul, 3 January 2019

Circular No: 14

Subject: The refund limit to be applicable in 2019 for the transactions subject to reduced rate set as TL 14.100.

Article 29 of the VAT Law contains a provision indicating that the portion of VAT amounts, concerning the deliveries and services that their tax rates were lowered by the Council of Ministers, incurred but cannot be refunded through deduction exceeding the limit set by Council of Ministers Decision may be refunded either on account in terms of taxation periods of its year, in cash within the following year if demanded or on account for the mentioned debts.

Pertaining to the authorization existing in the Law, through the Decision no. 2017/9759, the aforementioned limit had been set at TL 10.000 for 2017. This limit will be identified in 2018 and following calendar years through increases on the basis of the revaluation rate. In a calculation handled in that way, amounts at TL 50 and lower will not be taken into account while the amounts over TL 50 will be raised to the closest folds of TL 100.

The revaluation rate for 2018 has been calculated as 23.73 % and announced through the Tax Procedures Law General Communiqué series no.503 published in the Official Gazette dated 30 November 2018.

Through the "Communiqué Requiring Amendments over the VAT General Implementation Communiqué" series no.22 published in the 3rd repetitive Official Gazette dated 31 December 2018, the concerning amount is announced to be calculated as TL 14.100 for 2019 by taking the revaluation rate into account.

Accordingly, for the VAT refund demands arising from the transactions subject to reduced rate, the non-refundable portion of a VAT amount incurred concerning those transactions but could not be deducted will be implemented as TL 14.100 in 2019.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.